

Metropolitan Transportation Commission

Programming and Allocations Committee

December 12, 2007

Item Number 4a

MTC Resolution No. 3837

Subject: State Transit Assistance Population-Based Consolidated Policy: MTC Resolution No. 3837

Background: In June 2007, in conjunction with the approval of the Proposition 1B Regional Transit Program (MTC Resolution 3814), MTC staff was directed by the Commission to develop a consolidated formula proposal for the distribution of State Transit Assistance (STA) population-based funds. A recommendation was put forth that converted the existing distribution policy for STA population-based funds to fixed percentages, beginning in FY 2008-09. Staff is recommending superseding MTC Resolution 2310, the STA Allocation policy, to memorialize this change. Other non-substantive edits are also made to other sections of the policy related to general STA allocation process.

In October, Senate Bill 717 (SB 717) was signed into law by the Governor, resulting in a significant change to the distribution of Proposition 42 funds that flow to transit. SB 717 increased by 50 percent the share of Proposition 42 transit funds going to State Transit Assistance (STA) beginning in FY 2008-09; or an estimated \$90 million increase for the population-based revenue for the 10-year period. MTC staff posed the question to stakeholders as to whether the increment that will come to our region as a result of SB 717 should flow through the original proposed consolidated percentages or be used to provide a greater share of funding for the Regional Paratransit program, in recognition of the fact that the transit operators have identified this as an area where demand is outpacing funding and no funding augmentation occurred through the Prop 1B transit program.

Summary: Staff is forwarding two options for Committee consideration. Option 1 is the original consolidated percentages consistent with the Proposition 1B program adopted in June 2007. Option 2 is the Partnership Board recommendation, which adjusts the original consolidated percentages by providing an estimated \$30 million of the SB 717 increment each to Northern Counties / Small Operators and Regional Paratransit and the remaining \$30 million split equally among Lifeline and the Regional Coordination program.

	Option 1	Option 2
<i>ADJUSTED CONSOLIDATED PROPOSAL</i>	% Share	% Share
Northern Counties/Small Operators	27.2%	28.3%
Regional Paratransit	11.3%	15.6%
Lifeline	32.2%	29.2%
MTC Regional Coordination	29.3%	26.9%
TOTAL	100%	100%

Issues:

- 1) MTC staff will be presenting this item at several of the advisory Committee meetings in December including the Elderly and Disabled Advisory Committee, the Minority Citizens Advisory Committee and the MTC Advisory Council. Additional feedback or recommendations received will be presented at the Programming and Allocations Committee meeting.
- 2.) The consolidated policy covers STA base funding as well as Proposition 42 increment that flows to the STA population-based program. While the revenue projections used to develop the consolidated policy were conservative, and growth is more likely, there remains the potential for Proposition 42 to be suspended. Proposition 1A partially mitigated this risk by limiting suspensions to twice in a 10-year period and requiring a payback. Spillover funds are committed to the Lifeline, Northern Counties/Small Operators, BART to Warm Springs, eBART, and SamTrans categories, as identified in Resolution 3814, until commitments are met.

Recommendation: Refer Resolution No. 3837 to the Commission for approval.

Attachment: Deputy Executive Director's Memorandum
MTC Resolution No. 3837



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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Memorandum

TO: Programming and Allocations Committee

DATE: December 12, 2007

FR: Deputy Executive Director, Policy

RE: State Transit Assistance Consolidated Policy: MTC Resolution No. 3837

Background

In June 2007, MTC staff was directed by the Commission to develop a consolidated formula proposal for the distribution of State Transit Assistance (STA) population-based funds in conjunction with the approval of the Proposition 1B Regional Transit Program (MTC Resolution 3814). A recommendation was put forth that converted the existing distribution policy for STA population-based funds to fixed percentages, beginning in FY 2008-09. The proposed policy would streamline the distribution of funds, provide reliability to transit agencies and MTC for financial planning purposes, improve the position of all funding categories, and allow all programs to share in future revenue growth. The proposed STA population-based consolidated policy based on the Commission action in June is outlined in the chart below:

ORIGINAL CONSOLIDATED PROPOSAL	10-Year Total	% Share
Northern Counties/Small Operators	103,163,781	27.2%
Regional Paratransit	43,085,428	11.3%
Lifeline	122,184,829	32.2%
MTC Regional Coordination	111,191,360	29.3%
TOTAL	379,625,398	100%

SB 717 Augmentation

In October, Senate Bill 717 (SB 717) was signed into law by the Governor, resulting in a significant change to the distribution of Proposition 42 funds that flow to transit. SB 717 increased by 50 percent the share of transit funds going to State Transit Assistance (STA) beginning in FY 2008-09. Over the next 10 years, we expect that this change will result in an additional increment of approximately \$90 million in the region's share of the STA population-based funding.

MTC staff posed the question to stakeholders as to whether it would be best to flow the increment that will come to our region as a result of SB 717 through the consolidated policy described above. This distribution would result in the following estimated contributions:

CONSOLIDATED PROPOSAL W/SB 717	10-Year Total	% Share
Northern Counties/Small Operators	127,774,185	27.2%
Regional Paratransit	53,363,742	11.3%
Lifeline	151,332,830	32.2%
MTC Regional Coordination	137,716,796	29.3%
TOTAL	470,187,553	100%

However, transit operators recommended that the policy should be adjusted to reserve a larger share of the increment for the Regional Paratransit program, in recognition of the fact that the transit operators have identified this as an area where demand is outpacing funding, and that this category did not receive a specific augmentation during the June Proposition 1B discussions.

Partnership Discussion and Recommendation

Several options for adjusting the consolidated formula to account for the SB 717 augmentation were developed and discussed at various Partnership Working Group meetings. During discussion of this topic several transit operators expressed agreement with increasing the share of STA population-based funding that would go to fund the Regional Paratransit program; however some indicated a preference for those options that either increased or retained the Northern Counties / Small Operator program's percent share of total STA funds under the original consolidated policy. One reason cited was that small operators rely more heavily on the funding provided from the Northern County/Small Operator category to support their Paratransit service, since small operators receive less funding from the Regional Paratransit category.

At the November 30th meeting of the full Partnership Board, general consensus was reached to support adjusting the consolidated distribution proposal to the percentages listed in the table below:

ADJUSTED CONSOLIDATED PROPOSAL	10-Year Total	% Share
Northern Counties/Small Operators	133,351,166	28.3%
Regional Paratransit	73,272,813	15.6%
Lifeline	137,278,521	29.2%
MTC Regional Coordination	126,285,052	26.9%
TOTAL	470,187,553	100%

To generate the percentages in this proposal, the \$90 million SB 717 increment was distributed one-third to Northern Counties/Small Operators, one-third to Regional Paratransit, one-sixth to the Lifeline Program, and one-sixth to Regional Coordination.

The Partnership further recommended that the above distribution policy be put in place only for a ten-year period corresponding to the duration of Prop 1B transit funds included in the consolidation policy and that in the course of 2009 Regional Transportation Plan discussions the Commission explore the possibility of re-directing funding from the SB 717 increment to other regional priorities such as the transit capital maintenance shortfall, after the ten-year period is complete.

MTC staff will be presenting this item at several of the advisory Committee meetings in December including the Elderly and Disabled Advisory Committee, the Minority Citizens Advisory Committee and the MTC Advisory Council. Staff will update the Committee on any feedback or recommendations received at these meetings.

Proposal Options

Staff is forwarding two options for Committee consideration. Option 1 is the original consolidated percentages consistent with the Proposition 1B program adopted in June 2007. Option 2 is the Partnership Board recommendation, which adjusts the original consolidated percentages as discussed above.

	Option 1		Option 2	
<i>ADJUSTED CONSOLIDATED PROPOSAL</i>	10-Year Total	% Share	10-Year Total	% Share
Northern Counties/Small Operators	127,774,185	27.2%	133,351,166	28.3%
Regional Paratransit	53,363,742	11.3%	73,272,813	15.6%
Lifeline	151,332,830	32.2%	137,278,521	29.2%
MTC Regional Coordination	137,716,796	29.3%	126,285,052	26.9%
TOTAL	470,187,553	100%	470,187,553	100%

Recommendation

Staff recommends that the Programming and Allocation Committee refer MTC Resolution No. 3837, as modified to incorporate the selected option for the STA Consolidated Policy for Population-Based funds, to the Commission for approval.

Therese W. McMillan

Date: December 19, 2007
W.I.: 1514
Referred By: PAC

ABSTRACT

Resolution No. 3837

This resolution establishes a policy for the programming and allocation of State Transit Assistance (STA) funds, made available under the provisions of Public Utilities Code Sections 99313 and 99314.

This resolution supersedes Resolution No. 2310.

Further discussion of this action is contained in the "Executive Director's Memorandum dated December 12, 2007.

Date: December 19, 2007
W.I.: 1514
Referred By: PAC

Re: Adoption of MTC's State Transit Assistance Programming and Allocation Policy.

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 3837

WHEREAS, State Transit Assistance (STA) funds are to be used to enhance public transportation service, including community transit service, and to meet high priority regional transportation needs; and

WHEREAS, the Metropolitan Transportation Commission (MTC), as the Regional Transportation Planning Agency for the San Francisco Bay Area, is responsible for the allocation of STA funds available to eligible claimants in this region; and

WHEREAS, MTC adopted an STA Allocation Policy in Resolution No. 2310 in 1991; and

WHEREAS, MTC Resolution No. 3814 directed staff to revise the STA Allocation Policy to incorporate changes in distribution formulas and to establish a consolidated percentage framework for population-based program categories; now therefore, be it

RESOLVED, that MTC adopts its State Transit Assistance Allocation Policy described in Attachment A, attached hereto and incorporated by reference, for guidance to eligible claimants in the preparation of their applications for STA funds and to staff for reviewing such applications; and be it further

RESOLVED, that the prior policy governing allocation of State Transit Assistance Funds contained in Resolution No. 2310 is superseded by this resolution.

METROPOLITAN TRANSPORTATION COMMISSION

Bill Dodd, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in Oakland, California, on December 19, 2007.

Date: December 19, 2007
W.I.: 1514
Referred By: PAC

Attachment A
Resolution No. 3837
Page 1 of 4

STATE TRANSIT ASSISTANCE ALLOCATION POLICY

Exhibit 1

This policy affects all allocations by the Metropolitan Transportation Commission (MTC) of STA funds, made available under the provisions of Public Utilities Code Sections 99313 and 99314 and relevant subsections.

I. Population-Based Funds (PUC Code 99313) Including Interest Earnings

A. Consolidated Percentages – Base and Prop. 42 funds

The consolidated percentages established in this section pertain to Base and Proposition 42 funds only. The percentages by category do not apply to Spillover funds; the policy for these funds is described separately below.

1. *Northern Counties/Small Operators*

27.2% (option 1) or 28.3% (option 2) of the STA Population-Based funds and interest is reserved for the Northern counties (Marin, Sonoma, Napa, and Solano) and the small operators (LAVTA, Union City, CCCTA, ECCTA, and WestCat). These funds will be apportioned to each jurisdiction in proportion to its share of the total Northern counties/Small operators' population, as determined by the most recent State Department of Finance estimates.

As with TDA, a coordinated claim will be required if there is more than one eligible operator within those service areas.

2. *Regional Paratransit*

11.3% (option 1) or 15.6% (option 2) of the STA Population-Based funds and interest is reserved for Regional Paratransit purposes to meet the region's requirements under the Americans with Disabilities Act (ADA). These funds will be distributed to each of the nine counties in proportion to each county's share of the region's transportation disabled population, as determined by the 1990 Regional Paratransit Plan and subsequent updates of that plan.

3. *MTC Regional Coordination*

29.3% (option 1) or 26.9% (option 2) of the STA Population-base funds and interest is reserved for projects and programs that improve regional coordination, including but not limited to:

- Translink
- 511
- Transit connectivity

MTC will develop an annual MTC Regional Coordination program. All final programming will be reviewed and approved by the MTC Programming and Allocations Committee (PAC).

4. *Lifeline Transportation Program (LTP)*

32.2% (option 1) or 29.2% (option 2) of the STA Population-Based funds and interest is reserved for Lifeline projects. The Lifeline Transportation Program is intended to improve mobility options for low-income residents in the Bay Area by funding transportation projects designed to address their transportation needs.

B. *Spillover funds*

Per MTC Resolution No. 3814, starting in FY 2007-08 and continuing each year as necessary, the first available \$62 million in regional population-based Spillover funds is to be distributed as follows: \$19 million to restore program reductions to the May 9, 2007 Proposition 1B Transit staff proposal level as well as provide funding to match BART's May 9, 2007 commitment to the BART Extensions to Eastern Contra Costa and Warm Springs (*Lifeline - \$10 million, Small Operators/North Counties - \$3 million, BART Extension to Warm Springs - \$3 million, BART Extension to Eastern Contra Costa County - \$3 million*), and \$43 million to SamTrans to fulfill the Caltrain Right-of-Way settlement agreement, on a pro rata basis. For FY 2007-08, the population-based Spillover available will be net of the distribution to the Northern Counties and Small Operators per current policy.

II. *Revenue-Based Portion (PUC Code 99314)*

Funds apportioned to the region based on revenues generated by the transit operators will be allocated for the support of fixed route and paratransit operations, for inter-operator coordination, including the cost of interoperator transfers, joint fare subsidies, integrated fares etc., and for capital projects consistent with the adopted long-range plan.

**State Transit Assistance (STA)
Rules and Regulations
for the MTC Region
Exhibit 2**

These Rules and Regulations cover the eligibility requirements and the rules for a full or partial allocation of these funds.

Eligibility Requirements

To be **eligible for any STA funds** in the MTC region, an operator must comply with all SB 602 fare and schedule coordination requirements for the fiscal year. The evaluation of operator's compliance with the SB 602 program is made annually.

An operator's requested STA allocation may also be **partially or fully reduced** if the operator did not make satisfactory progress in meeting its Productivity Improvement Program (PIP) and/or the Regional Coordination projects for which each operator is a participant.

SB 602 Requirements

All SB 602 fare and schedule coordination requirements for the fiscal year must be completely satisfied. If not, operator is ineligible to receive (a) annual increment of TDA funds and (b) any STA funds. Thus, meeting SB 602 (pursuant to MTC Res. No. 2323 regulations) becomes fully obligatory.

Fare coordination revenue-sharing agreements, as specified in the annual Regional Coordination Program, must be fully executed by all participating operators and provisions of the agreement(s) must be in compliance with MTC rules and regulations.

The Regional Schedule Coordination Implementation Plan must achieve satisfactory progress according to the Implementation Plan workscope. All operators in the region have equal responsibility and accountability in ensuring satisfactory progress.

Project workscopes, implementation schedules and progress achievement for both fare and schedule coordination requirements will be reviewed annually by MTC.

STA funds **withheld** from allocation or disbursement due to non-compliance, or falling out of compliance, will be held for one quarter to provide an opportunity to come into compliance. If MTC finds that satisfactory progress is being made by the operator to comply with their SB 602 agreements, the deadline for coming into compliance may be extended further one quarter. (In the event of non-compliance by an operator to whom STA funds have already been disbursed, disbursed funds will be requested to be

returned to the STA account. If funds are not returned, an equivalent amount can be withheld from the operator's following year allocation.)

In accordance with the provisions of SB 3, withheld funds may be **re-allocated** to any eligible operator to implement an unfunded coordination project in the Regional Coordination Plan. MTC may also allocate these funds to any operator whose increase in total operating cost per revenue vehicle hour is less than the increase in the CPI.

Progress on PIP and Regional Coordination Projects

Each Performance Audit-based project and Regional Coordination project is evaluated based on actual progress as compared to scheduled. The Overall Performance Evaluation Score is calculated as the average of all projects.

The Overall Performance Score represents the Overall Score for Reasonable Effort and converts to a full or partial STA allocation as indicated on the following scale.

<u>Projects Progress *</u>	<u>Allocation Action</u>
Projects Completed or within 90-100% of schedule	Full allocation
Projects within 40-80% of schedule	Allocation proportional to progress
Projects between 0-30% of schedule	No allocation

(*) Based on status of project as evaluated by MTC staff.

The amount withheld will be reviewed with the affected operator. Partial funds withheld will be held by MTC up to two years to allow an operator to comply with its PIP.

After two years, funds withheld under this section may also be **re-allocated** to any eligible operator for purposes of improving coordination, according to the unfunded coordination projects in the Regional Coordination Plan. MTC may also allocate these funds to any operator whose increase in total operating cost per revenue vehicle hour is less than the increase in the CPI.